Mahaska County/Employees Assn. SEIU# 199

2002-2003
CEO 699
SECTOR 3

STATE OF IOWA

PUBLIC EMPLOYMENT RELATIONS BOARD

In the Matter of the Impasse Arbitration between MAHASKA COUNTY, IOWA, Employer, and SEIU Local 199, Union.	Before Lisa Salkovitz Kohn Arbitrator

Hearing Held: June 9, 2003

Award Issued: June 23, 2003

Appearances for Union: Matthew Glasson,
Glasson Sole McManus & Pearson
Kim Miller,
SEIU Local 199

Appearances for County: Jerry Thompson,
Thompson & Associates
Henry W. Van Weelden,
Chairman, Mahaska County Board of Supervisors

ARBITRATION AWARD

I. INTRODUCTION

This is an impasse arbitration held pursuant to Section 20.22 of the Iowa Public Employment Relations Act. The parties have bargained to impasse on two issues: wages and health insurance. The parties waived their right to fact-finding and selected a single arbitrator, waiving at the hearing their right to a tripartite arbitration panel as permitted by the statute. Prior to commencement of the arbitration hearing, the parties also waived the statutory deadlines for the holding of the hearing and the issuance of the arbitrator's award, agreeing however that the arbitration proceedings must be completed prior to June 30, 2003. At the hearing, held at the Mahaska County Courthouse, Oskaloosa, Iowa, on June 9, 2003, the parties presented evidence and oral argument. Post-hearing briefs were not filed. The hearing was transcribed electronically by the arbitrator.

In evaluating the parties' final offers on each impasse item, paragraph 9 of section 20.22 requires the arbitrator to consider, "in addition to any other relevant factors":

> a. Past collective bargaining contracts between the parties including the bargaining that led the up to such contracts.
>
> b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.
>
> c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on normal standard of services.
>
> d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

All of these statutory factors, as well as other relevant factors discussed below, have been considered by the arbitrator in determining which of the offers on each item is most reasonable. In addition, all evidence and testimony has been considered, even if not mentioned explicitly in this discussion.

II. THE PARTIES' PROPOSALS

The parties exchanged their Final Proposals on May 27, 2003 as follows:

Wages (Article 16, Exhibit A):

1. Union: Increase Hourly Wage Rates by 4% effective July 1, 2003.

2. County: A flat $0.50 per hour increase for each step in the pay plan.

Health Insurance (Article 15):

1. Union: Maintain current contract. No change in cost sharing ratio, no change in plan design.

2. County: Increase deductibles to $500 single/$1,000 family.
Increase maximum out-of-pocket to $500 single/$1,000 family.
Office visits will be $20.00 co-pay per visit.
Rx [Prescription] drug plan will be a $10.00 co-pay for generic/$25.00 co-pay for Brand name
Aggregate to increase from $1,000,000 to $2,000,000

Both parties also proposed that their collective bargaining agreement include all other tentative agreements previously reached during their negotiations.

III. FACTUAL BACKGROUND AND BARGAINING HISTORY

The Union represents 27 employees of Mahaska County who work in the Highway (or Roads) Department. Of these 27 employees, 24 are maintenance and equipment operators who receive$15.03 per hour, one receives the $16.60 rate of shop manager, one receives the $15.57 rate of heavy equipment operator, and one receives the rate of $14.88.

Since 1998, the workforce has been reduced by attrition by four full-time and three part-time positions. During that period, wages have increased nearly twice as fast as the CPI.

Insurance premiums for medical expenses for all County employees have increased more than 117% in the past four years, with family coverage increasing from $378 to $823. Employees first began paying part of the insurance premium for family coverage under the 2000 -2002, and now pay 15% of the family coverage premium. The County pays 85% of the family coverage premium, and 100 % of the single coverage premium. At the time the 2000 - 2002 contract was negotiated, the County health plan was on a February plan renewal date. In December 2002, the County Board of Supervisors approved a health plan for calendar year 2003.

In the parties' most recent negotiations, the Union initially proposed that the bargaining unit be able to place at least two bargaining unit members on the county's Insurance Committee, which would meet regularly to consider cost savings alternatives to the insurance plan. The County proposed to leave the existing provisions of Article 15 in place for the first year of the contract, and in the second year, to insert language that would permit the increase of single and family deductibles and "employee financial participation" and would permit the introduction of co-payments for prescription drugs and physician visits, with the cost of insurance premiums for single and family coverage on July 1, 2003 the base for calculation of increases. With respect to wages, the Union proposed wage increases of 5% in each year. The County proposed changes in the job classifications, and new wage rates based on those classifications with increases of $0.15 per hour in the first year, and $0.25 per hour in the second year.

At their first bargaining session, the County presented data showing that using the formula in the 2000 - 2002 agreement, the County's cost for family insurance coverage had already increased on February 1, 2003 by $0.58 per hour per covered bargaining unit employee, or 3.9% of the average $15.03 wage rate, and explained its proposal to increase deductibles in the second year of the agreement. The County's negotiators explained that the County's goal was to move to a fiscal year (July 1) renewal date without incurring a second premium increase in one year. At the second bargaining session, held March 25, 2003, the Union countered with a proposal that would maintain the 85% County contribution and "hold harmless" bargaining unit employees from any increase in out-of-pocket expenses, and decreased their wage proposal to a 4% increase in each year. The County proposed to leave the insurance provision unchanged, and to increase wages $0.25 in the first year and $0.30 in the second year. At that point, the parties declared impasse. In summarizing the tentative agreements and outstanding issues on March 25, 2003, the Union reverted to no change in the insurance provision.

After the parties had requested a panel of arbitrators from Iowa PERB, the parties met for negotiations on May 5, 2003, at the County's request. At that meeting, the County proposed to change the structure of the insurance plan, beginning July 1, 2003, so that the deductible would increase to $500 single/$1000 family, the maximum out-of-pocket would increase to $500 single/ $1000 family, and co-pays, which would not count against the deductible or out-of-pocket maximum, would be added in the amount of $20 per office visit and $10 generic/$25 brand name drug prescription. The County also increased its wage proposal to $0.50 per hour. These became the County's final proposals for arbitration.

On May 19, 2003, the County Board of Supervisors approved for unrepresented employees the new insurance plan that had been proposed to the Union, with a renewal date of July 1, 2003. The change in renewal date alone, keeping the old insurance plan, would have resulted in a 15% increase in premiums. According to the County, the changes in plan structure would result in cost savings of 15% and avoid the need for a second premium increase due to the change in plan date.

A representative of the County's insurance administrator testified that medical costs generally have been increasing 14 - 18 per cent annually, while prescription drug costs have been increasing 16 - 20 per cent. The County previously increased its stop-loss coverage to $40,000, so it is taking more risk than previously.

For single coverage, the premium would increase from the present rate (since the February 1, 2003 renewal) of $353 to $377, if the plan were renewed July 1, 2003 without any other change, and would decrease to $346, if the plan were renewed July 1, 2003 with the changes the County proposes. For family coverage, the total premium would increase from the present rate of $823 to $880, if the plan were renewed July 1 without any other change, and would decrease to $803, if the plan were renewed July 1 with the changes the County proposes. According to the Union, the overall cost of its proposals (including the effect of the February 2003 premium increase, but without any other change in insurance) is 5.92%; the overall cost of the County's proposals is 4.88%.

The County had an unspent balance of $11,131,732 in FY 2001, and $10,493,473 in FY 2002. According to Board of Supervisors Chairman Henry Van Weelden, the Board attempts to maintain an unspent balance of 25% of expenditures plus other designated funds, because of the delay in receipt of tax revenues from the July start of the fiscal year until October. However, revenues in FY 2002 were $11,773,630, so the FY 2002 unspent balance was 95% of revenues. Van Weelden also testified that the County Auditor has advised that as a result of legislative actions in April and May, after the March submission of the County budget, the County budget will be between $150,000 and $175,000 less than anticipated. He anticipates that the unspent balance at the end of the current fiscal year (June 30, 2003) will be between $7 and $8 million.

IV. COMPARABILITY

The parties agree that the six counties contiguous to Mahaska County provide the appropriate group for comparison in this case. They are Jasper, Keokuk, Marion, Monroe, Poweshiek and Wapello Counties. Mahaska County is the median county in terms of population.

In wages, the most common Mahaska bargaining unit hourly rate of $15.03 is the third highest in the group, which ranges from a low of $12.67 in Monroe to a high of $16.58 in Jasper. According to the County's figures that rate is more than 3.5% above the average of the comparison group; however, this calculation does not include the effect of longevity pay, which is paid in Jasper, Keokuk, Monroe, Poweshiek and Wapello Counties, but not in Mahaska County. (If Mahaska County offered longevity pay for employees with 10 years of service, 17 of the 27 bargaining unit employees would receive the pay.) If longevity pay is included, it appears that Mahaska is roughly 2.6% above the average of the comparison group.

The parties agree that the average wage increase for the comparison counties is 2.93%. The Employer's proposed wage increase of $0.50 per hour is approximately a

3.3% increase overall; the Union's proposal is a 4% increase. Thus both parties have proposed increases in excess of the comparison counties' increases.

With respect to insurance costs, the total cost for family coverage for Mahaska County employees is third highest in the group; however the cost to Mahaska County itself is fourth highest and roughly comparable to the top three counties. The remaining three counties pay much less for family coverage. Employee costs vary from nothing, in Monroe and Wapello Counties, to over $200.00 in Jasper County. Of the five counties with contributory plans for family coverage, Mahaska County employees make the smallest employee contribution.

Given the many variables involved, comparing the features of the counties' plans is difficult. Overall the evidence suggests that the current plan for Mahaska County bargaining unit employees fits roughly in the middle of the comparison group -- better than roughly half and worse than roughly half on a variety of features. Changing to the structure proposed by the County does not alter this much, except for one significant element: the exclusion of co-pays for prescription drugs and physician office visits from the deductible and out-of-pocket maximums. From the data presented by the parties, it does not appear that any plan among the comparable counties includes this feature, with the result that only Mahaska County employees would face the risk of personal expenditures for family medical costs in excess of the deductible and out-of-pocket maximums.

The Union has raised the wage treatment of unrepresented employees of Mahaska County as an additional factor to consider. The Mahaska County Board of Supervisors approved a 4% increase for most unrepresented county employees on December 16, 2002, reducing by 2% (the statutory maximum) the proposal from the Compensation

Board. The wage rates of unrepresented employees has not been provided to the arbitrator; however, one witness testified generally that their wages were less than those of bargaining unit employees.

The president of the Farm Bureau testified in favor of the County's proposal, noting among other things that in light of current financial circumstances and the County's responsibility to taxpayers, he and the Bureau were disappointed with even the 4% raise granted to unrepresented employees, but recognized the Board of Supervisors' limited authority to deviate from the Compensation Board's recommendation.

V. OTHER RELEVANT FACTORS AND ANALYSIS

Both parties have asserted that their insurance proposals are the more important aspect of this impasse, so we begin our analysis there.

The Union contends that the County has failed to justify its proposal, which would make drastic changes in the employees' health insurance plan. Although the structural changes would reduce overall premium costs by 15%, it would do so at the risk of substantial increased costs to employees, primarily because of the increases in the deductible and out-of-pocket maximums and the institution of new co-payments that would be excluded from the deductible and out-of-pocket maximums. An employee or family with a large number of physician office visits, or many prescription medications, might have to bear expenses far in excess of the "out-of-pocket maximum." At the same time, the monthly cost to the County (and the employee) for family coverage would be reduced slightly. The Union contends that the slight decrease in cost does not justify these wholesale changes, particularly in light of the County's large unspent balance.

The County contends that it makes sound fiscal sense to move the insurance plan renewal date to coincide with the fiscal year, so that the budget can include actual premium rates and the insurance renewal and stop-loss coverage renewal also will coincide. One difficulty in changing the plan year is that this results in two premium increases in a single calendar year. Although the change could be effected by renewing the insurance plan for 13 months instead of 12 months, over a five-year period, the County deemed this impractical and more costly than making the change in a single year.

According to the County, this change has been contemplated for some time, but this year was a particularly auspicious time to make the change because current low stop-loss claims would minimize the size of the premium increase. The structural changes were among those suggested by the County's insurance administrator as ways to eliminate the 15% premium increase that would result simply from changing the renewal date to July 1, and are consistent with the plan features in the comparable counties.

After reviewing the entire record, including the testimony from the County's insurance administrator as well as other witnesses, I find that the County has failed to justify making the sweeping structural changes it has proposed without more extensive bargaining with the Union. These changes were proposed after impasse had been declared, and with limited discussion between the parties, although the County did provide information requested by the Union. The members of the bargaining unit have made it plain by the Union's final proposal that they are willing to continue to pay the higher premiums set currently under Article 15 to insure themselves against the risk of open-ended liability for prescription drug and office visit co-pays. Although the outcome is a matter of speculation, the risk of higher medical expenses for employees is real.

Although the County referred to its health plan as a "Cadillac" plan, it is in fact merely slightly better than average, better than comparable community's plans in some features, worse in others. Similarly, the County pays just slightly more for family coverage than the average county in the comparison group, while employees pay only slightly less. Thus a comparison with the contiguous counties does not strongly favor one proposal over the other.

However, collective bargaining provides an important means to determine how employer and employee together can meet anticipated increased costs of health insurance benefits, and in what fashion and proportion they will be shared. By making its proposal so late in the bargaining process, the County has missed this opportunity. Indeed, the Union had signaled its interest in being part of this process in its initial proposal that it be included in an Insurance Committee to review such matters. On this record, therefore, and considering all of the evidence in light of the factors listed in paragraph 9 of section 20.22 of the Iowa Public Employment Relations Act, I find that the Union's proposal to maintain the status quo is more reasonable than the County's proposal to impose its substantial modifications in plan features and costs, in order to underwrite a unilaterally-determined change in plan renewal date.

The issue of wages is much closer, the parties agree. The difference in their proposals is roughly $0.10 per hour, or 0.7% of the bargaining unit's characteristic $15.03 hourly rate. Both proposals exceed the average increase in the contiguous counties of 2.93%, and the current wage rate is above average in the comparison group. Although the Union asserts that bargaining unit employees should receive the same 4% increase that the Board of Supervisors approved for the County's unrepresented employees, there is no evidence in this record that the parties have a history of pegging bargaining unit increases to increases granted to non-bargaining unit employees, or vice versa. Nor is there evidence that the current wage rates or duties of the unrepresented employees are comparable to those of bargaining unit employees. Under these circumstances, the comparison with unrepresented employees does not outweigh the evidence from the roads departments in the contiguous counties, which have experienced average increases lower than both parties' proposals. Considering all of the evidence in light of the factors listed in paragraph 9 of section 20.22 of the Iowa Public Employment Relations Act, I find that on the issue of Wages, the County's proposal is the most reasonable.

AWARD

For the reasons stated above, and in particular after due consideration of all statutory factors and all evidence, testimony, and argument presented by the parties, I hereby find that the Union's offer is the more reasonable offer on the issue of Insurance, and that the County's offer is the more reasonable offer on the issue of Wages. The parties both having incorporated into their final proposals all the tentative agreements reached in negotiations, those tentative agreements also are incorporated into this Award.

Respectfully submitted,

Lisa Salkovitz Kohn
Impasse Arbitrator

June 23, 2003

CERTIFICATE OF SERVICE

I certify that on the 23d day of June, 2003, I served the foregoing Award of Arbitrator upon each of the parties to this matter by mailing a copy to them by Express Mail at their respective addresses as shown below:

Matthew Glasson, Esq.	Jerry Thompson
Glasson, Sole, McManus & Pearson	Thompson & Associates
118 3RD Avenue S.E.	2813 Virginia Place
Suite 830	Des Moines, IA 50321
Cedar Rapids, IA 52401	

I further certify that on the 23d day of June, 2003, I will submit this Award for filing by mailing it to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, Iowa 50309.

Lisa S Kohn

Lisa Salkovitz Kohn, Arbitrator